



Sustainability & Citizenship Report

DECEMBER 2020

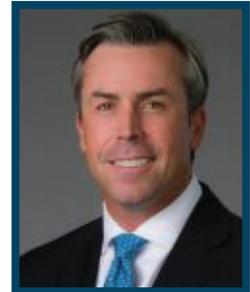


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I. Letter From The CEO

I'd like to welcome you to Palomar's first annual sustainability and citizenship report. For some of you, this will be an introduction to Palomar and our business. Our mission is to leverage data, technology, and the expertise of our people to provide a range of insurance solutions to Americans, many of whom have been historically underserved by the industry. These include families and small businesses who turn to Palomar for insurance against a range of natural disasters, from fire to flood to earthquake. We are proud to provide these Americans with peace of mind, and, when the worst happens, the tools with which to rebuild their homes, businesses, and lives.



Our company's success is the byproduct of people working together toward a common set of objectives. At the end of the day, our most important assets are the 101 men and women who comprise the Palomar team, and 2020 has been a difficult year for them and for all Americans. The health, well-being, and safety of our team members has always come first, and this guiding principle has shaped our response to the unprecedented environment that we continue to navigate during the COVID-19 pandemic.

This report highlights the Palomar workforce in two sections: 'Why We Work' is an expression of the company's values-driven approach to problem solving, and the care with which we treat each other in the workplace. 'How We Work' highlights the steps that Palomar has taken to invest in our people and manage a workplace built on ethical behavior, compassion, and productivity. I believe that a values-driven workplace will help Palomar find new market opportunities, service our policyholders, and enhance our financial performance.

Like many companies, we moved quickly to a remote work plan to ensure the physical safety of our teammates at the onset of the COVID-19 pandemic. We have a cloud-based operating and technology infrastructure and a specialization in disaster response that enabled a seamless pivot to a remote work environment. I am pleased that this aggressive approach has kept our team members safe and healthy without compromising productivity in any way. No definition of health, however, is complete without addressing mental health and wellness. The stress and anxiety associated with the COVID-19 pandemic and the racial, civil, and social unrest in our nation exact an unseen toll on the mental health of millions of Americans. At Palomar, we have created new channels for team member communication, provided valuable tools and performed mental health check-ins with all our team members. We refer to Palomar as a family, and in tough times families look out for one another. I am pleased to note that internal surveys indicate our regular interventions and engagements have done just that, creating a stronger, more unified workplace amid unprecedented uncertainty.

I am very proud of our response to the COVID-19 pandemic as well as our employees' commitment to our customers during a challenging time.

Our rapid and caring response to the COVID-19 pandemic also speaks to our culture more broadly. As a company, we believe that we have a responsibility to not only our shareholders but also the environment and our local communities in which we work and live. While Palomar's carbon and environmental footprint might be smaller than larger companies with extensive supply chains and manufacturing infrastructure, we believe every company, regardless of size or industry, should commit to responsible environmental

stewardship and sustainability. We have and will continue to take steps to reduce our carbon footprint, preserve our natural resources through responsible power and water management and communicate our support for a more sustainable American future. As leaders in risk management for hurricanes, floods, fires and other disasters exacerbated by climate change, we see an opportunity to lead our industry and partner with private and public constituents on matters that lead to a more robust chain of financial and infrastructural disaster response and support. We believe these efforts will ultimately lead to sustainability. We acknowledge the reality of climate change and are taking steps to reduce our internal footprint and resource usage as well as provide external solutions and support.

As part of our ethic of partnership and our interest in economic and social justice, Palomar will be allocating up to \$10 million to open accounts with minority-owned Broadway Federal Bank. We look forward to reporting back to you on this new partnership and the impact on economic opportunity and wealth generation.

Lastly, Palomar is making several commitments to environmental stewardship and best practices in business through our People and Talent Programs. In future years, we will report back on our progress in meeting and exceeding those commitments. I invite your feedback on our goals and our business practices, because dialogue with all our stakeholders – including you – will help us grow, thrive and meet the challenges of tomorrow.



Mac Armstrong

II. Company Overview

Palomar is a rapidly growing and profitable company focused on the provision of specialty property insurance. We focus on markets that we believe are underserved by other insurance companies, such as those for earthquake, wind, and flood insurance, and protect both individuals and businesses against loss. Palomar uses proprietary data analytics and a modern technology platform to offer our customers flexible products with customized and granular pricing on an admitted and excess and surplus basis. We distribute our products through multiple channels, including retail agents, program administrators, wholesale brokers, and in partnership with other insurance companies. Our product suite and differentiated distribution network allows Palomar to capture market share and drive adoption in esoteric specialty property insurance segments and are also illustrative of our entrepreneurial and agile culture. We pride ourselves on this agility which we expect will help us open and develop new markets as we execute our strategic plan. Lastly, our business strategy is supported by a comprehensive risk transfer program that we believe provides both consistency of earnings and appropriate levels of financial protection in the event of major catastrophes.

III. 2020 Sustainability Highlights

Environmental

- Eliminated the use of disposable plastic water bottles in favor of filtered water dispensers in our corporate headquarters
- Addition of dual computer monitors for our team members to eliminate the need for printing
- Encouraged employees to work from home, which responds to their changing needs, while also having the added benefit of reducing our carbon footprint
- Use of energy-efficient LED and compact fluorescent lamps (CFLs) in our corporate headquarters. Our offices and hallways are equipped with motion sensors that turn lights off if movement is not detected after a period of time in order to further reduce energy consumption.



Social Responsibility

- Since its inception in 2014, Palomar has cultivated an inclusive workplace welcoming all people, regardless of race, ethnicity, sexual orientation, or gender identification
- 40% of our workforce are women or people of color
- 50% of our board of directors are women or people of color
- Creation of DICE Council (Diversity, Inclusion, Community Engagement, and Equality): a team member-led effort that advises management on diversity and inclusion initiatives and best practices
- DICE Council charter statement developed and embraced by entire Company
- Financial contribution to the Center for Policing Equity, the nation's top non-profit addressing racial inequities in policing and law enforcement
- Allocation of up to \$10 million of assets to Broadway Federal Bank

Governance

- Company led by Chairman and CEO Mac Armstrong, who founded the Company in 2014
- Board of directors has adopted Corporate Governance Guidelines that are focused on good governance practices and procedures, which promote the long-term interests of Palomar shareholders and support accountability of the Company's board of directors and management
- In June 2020, our board of directors appointed a lead independent director, Richard Taketa, who serves as a liaison between the non-management directors and the Chairman. Mr. Taketa's role provides the appropriate level of independent oversight of leadership and management
- 83% of our board are independent from management
- Established the Environmental, Social and Corporate Governance (ESG) Committee of the board of directors in October 2020

IV. Why We Work

Palomar's culture is built on finding innovative solutions to complicated problems. For instance, early in our history we observed that certain insurance products such as earthquake or flood protection were either deficient or unaffordable to millions of Americans. To solve that problem, Palomar developed deep subject matter expertise in these markets and leveraged data and technology platforms to create more accurate and consistent risk measures for American homes, businesses, and communities. As a result, more Americans have access to affordable insurance products that protect their homes and property from not only earthquakes, but a variety of other natural disasters.

Earthquake coverage is just one example of how Palomar challenges conventional wisdom and applies new tools to solve perennial problems. We do the same for customers who turn to Palomar for a range of commercial and residential catastrophe insurance products; products that remain responsive to the changing needs of policyholders and the exposures they face. As the nature of work evolves every day, Palomar sees great opportunity in helping to build more resilient workplaces.

In so doing, Palomar plays a role in supporting America's resiliency in the face of natural and man-made disasters. Our vision is that every American who needs coverage should have it, and we are hard at work developing products that address unmet or underserved needs. We further believe that business, government, and society should partner to create an unbreakable chain that supports resilience and ultimately prosperity in every American community. Palomar's pledge is that we will be a catalyst for partnerships that recognize our inter-dependence and provide greater support for Americans in need. As Palomar launches a new excess and surplus insurance company and expands our activities to cover all the United States, we are now in a prime position to execute against this goal.

V. How We Work

Palomar's greatest resource is its people. A workforce-centric approach to productivity and performance helps ensure that we continue to attract and retain outstanding talent who feel fully invested in our collective mission. At Palomar, we are committed to diversity and inclusion in all facets of the organization. We have built an open culture that celebrates the diversity of our workforce and we have created internal processes



that will enable us to build upon this core strength. We believe that diversity yields greater creativity and productivity, helps us serve our customers and partners more effectively, and ultimately returns greater value to our shareholders and to the communities in which we do business.

Learning and Development

Palomar encourages all of its team members to take advantage of company-supported training and learning opportunities that help broaden industry and functional knowledge to help them excel in their current roles as

well as advance their overall career objectives. We believe in the dynamic allocation of talent, and therefore we encourage interested team members to explore functions outside their current roles. To support this belief, we provide a \$3,000 tuition and/or certification reimbursement for ongoing development.

Lastly, we have a methodical approach to talent development, offering organizational advancement and mentoring services to all deserving team members regardless of position or title.

Diversity, Inclusion, Community Engagement and Equality

Following the racial, civil, and social unrest that gripped America in the summer months, Palomar created a DICE Council (Diversity, Inclusion, Community Engagement, and Equality), a team member-led effort that advises company leadership on initiatives and best practices in this important area. The Council developed a charter statement that has been embraced by the entire company:

“At Palomar, we are committed to diversity, equality, and inclusion in all facets of the organization. We have built an open culture that celebrates the diversity of our workforce, while actively championing equality and inclusion practices that make us a company people want to work with and work for.

We believe that diversity, equality, and inclusion yield greater organizational creativity and productivity, which helps us serve our customers and partners more effectively. Delivering on our diversity commitment returns greater value to our shareholders and ultimately makes a positive impact to the communities in which we do business and to the people who live in them.”

DIVERSITY – At Palomar, we are not all the same. We celebrate our differences, and we identify opportunities for increased innovation and collaboration amongst diverse teams with diverse perspectives.

INCLUSION – At Palomar, we appreciate and take pride in the active involvement of every team member’s unique contribution within a culture that harmonizes our differences. Our team members understand their important contribution to the greater team and understand that what they do makes a difference, both for the company, and in the larger communities we serve.

COMMUNITY & ENGAGEMENT – Palomar’s commitment to diversity, equality, and inclusion extends into the communities where we conduct business. We believe that every organization, regardless of size or scope, can make a meaningful difference on issues of community welfare, justice and equality. Through our social, personal, and professional networks, we champion our values and actions. We partner with like-minded organizations to drive action and positive change.

EQUALITY – Palomar promotes a work environment where individuals are treated fairly, respectfully, and have equal access to resources and opportunities for growth. We encourage our teammates to share ideas and collaborate to remove organizational boundaries, solve problems, and drive company growth.

This is not simply a question of business and productivity – it is a question of values. Following the unrest which swept America after the tragic and senseless killing of George Floyd in Minneapolis and so many others, we decided to communicate Palomar’s values to our team members – 9% of whom live in the Twin Cities area. Our CEO, Mac Armstrong, wrote the following:

“...We believe this is an important opportunity for all leaders to demonstrate our values in an effort to heal the country and build a more just society. Chief executives need to prioritize processes that yield a better understanding of the fears and concerns of our co-workers. We must provide team members with forums with which to communicate these emotions. It’s not only urgently needed in the wake of COVID-19, economic dislocation and social unrest, it’s also good business that will strengthen the bonds between colleagues.”

In addition, June 19 is Juneteenth, a holiday commemorating the end of slavery in the United States. African-Americans have celebrated it since the late 1800s and this day should be celebrated by all Americans. In June 2020, all team members were granted an opportunity to celebrate Juneteenth and starting in 2021 and all years thereafter, Juneteenth will be a Company holiday and employees will receive paid time off.

Community and Well-Being

In the wake of the political unrest, Palomar made a financial contribution to the Center for Policing Equity, the nation’s top non-profit addressing racial inequities in policing and law enforcement. We also asked our team members to select a non-profit focusing on economic recovery and social justice and made a small contribution to each of those organizations in their name.



Palomar is proud to offer team members a comprehensive and leading benefits program that includes a holistic approach to health and wellness. We regularly benchmark programs to ensure our team has access to industry-leading benefits to address all aspects of well-being — physical and mental health, family care, financial support, and community engagement. These programs, along with constant dialogue with team members, have helped us address the myriad challenges of 2020 as a community, maintaining productivity, and strengthening the bonds between us.

VI. Our Commitments

In this report, Palomar is making several specific commitments as part of our ongoing dedication to the environment, health and safety, corporate social responsibility, corporate governance, and sustainability. We have established a newly appointed ESG committee of our board of directors. The committee will be led by Palomar CEO Mac Armstrong and board members Daryl Bradley and Martha Notaras, and they will be responsible for holding the Company and management accountable for our ESG initiatives.

Additionally, our annual sustainability reports will identify goals that Palomar will look to achieve and report back to you on our progress. For our first report, we have adopted four sets of commitments promulgated by or in partnership with the United Nations in the areas of social justice, human rights, responsible governance, and climate management.

Principles for Responsible Investment

As part of this pledge, Palomar commits to incorporate ESG issues into the management of our investment portfolio, capital allocation, and decision-making processes. This process will be driven by Palomar CEO Mac Armstrong and CFO Chris Uchida with oversight from our Board of Directors.

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

Source: United Nations/Principles for Responsible Investment

Principles for Sustainable Insurance

As part of this pledge, Palomar commits to incorporate ESG issues into all aspects of our business operations and product development. This process will be driven by Palomar CEO Mac Armstrong and CUO Jon Christianson with oversight from our Board of Directors and the ESG committee of the Board.

1. We will embed in our decision-making environmental, social, and governance issues relevant to our insurance business.
2. We will work together with our clients and partners to raise awareness of environmental, social, and governance issues to manage risk and develop solutions.
3. We will work together with governments, regulators, and other key stakeholders to promote widespread action across society on environmental, social, and governance issues.
4. We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

Source: United Nations Environment Program Finance Initiative

UN Global Compact

Palomar has committed to follow the Ten Principles of the UN's Global Compact. Progress in meeting these principles will be monitored by the ESG committee of the company's Board of Directors.

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Businesses should make sure they are not complicit in human rights abuses.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. The elimination of all forms of forced and compulsory labor.
5. The effective abolition of child labor.
6. The elimination of discrimination in respect of employment and occupation.

7. Businesses should support a precautionary approach to environmental challenges.
8. Businesses should undertake initiatives to promote greater environmental responsibility.
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.
10. Businesses should work against corruption in all its forms, including extortion and bribery.

Climate Change and Sustainability

Palomar will formally join the UN Global Compact's 'We Mean Business' initiative and has pledged to set a long-term target to reach net-zero value chain emissions by no later than 2050, using science-based targets throughout. More information on We Mean Business can be found at <https://www.unglobalcompact.org/take-action/events/climate-action-summit-2019/business-ambition>

VII. 2021 Goals

- Reduce our environmental impact through energy efficiency, water conservation and waste management
- Increase the diversity of our workforce
- Increase the diversity of our board of directors
- Demonstrate our commitment to equality and social reform through volunteering and charitable contributions
- Maintain our allocation of depository assets at Broadway Federal Bank at a level up to \$10 million

VIII. Closing

We hope you have enjoyed this report. Palomar plans to deepen our relationships with leaders from government and civil society as we meet the commitments we have made in this report, and we look forward to reporting back to you on our progress in a year's time. In the meantime, we will continue to enhance and differentiate our culture and business by working with the company's DICE Council and ESG committee to explore initiatives consistent with our charter statement. We will also strengthen the bonds we already enjoy with the communities with whom we partner to create a more resilient America.

We would love to hear your feedback on this report. Please send any thoughts or comments to Investors@PLMR.com.



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